



**CALIFORNIA
HIGH-SPEED RAIL
AUTHORITY**

BRIEFING: March 2011 FINANCE COMMITTEE MEETING AGENDA ITEM #2

TO: Committee Chairman Crane, Members Kopp and Richards.

FROM: Roelof van Ark: CEO

DATE: March 3, 2011

RE: Financial Consulting Services Contract (KPMG)

Discussion

In October 2006 the Authority entered into consultant services contract for the development of a “Financial Plan”. At that time the Authority was moving from the planning phase of the project into detailed environmental analysis and initial engineering. With the information gathered during the Program Environmental process a “scope of work” was developed that would fit the Authority’s needs during that start-up phase.

With the passage of Proposition 1A and the awarding of American Recovery and Reinvestment Act funds, the Authority is fast approaching the final design and construction phase of the project, thus it became evident that a re-evaluation of the Authority’s financial consultant service needs was necessary for the success of the program. Additionally, the Authority must become more aggressive in identifying, pursuing and securing funding for the project. For these reasons, it is paramount that the Authority employs the assistance of experienced financial advisors in the development and implementation of a sound financing program.

On July 8, 2010 the Finance Committee and the full Board unanimously voted to approve the advertisement of a Request for Proposal (RFP) for the financial consulting services program. The RFP outlined a general responsibilities and activities of the financial consulting services contractor, but most importantly their role will be to assist the Authority in carrying out its work of planning, building and operating of a high-speed train network as outlined in the Business Plan of 2009. The tasks to be performed and the deliverables shall include, but are not limited to the following:

- ✓ Initial review and update of the existing financial plan incorporating all aspects of the present project status and financial market conditions based on the existing financial plan and models available.

- ✓ Periodic review and update of the financial plan to be incorporated in future business plans.
- ✓ Performing financial analysis and securing funding for specific segments of the high-speed train system.
- ✓ Preparing plans and documents for financial elements of future contracts.
- ✓ Seeking private financing for individual segments or contracts and assisting in the evaluation of financial elements of proposals.
- ✓ Developing a clearinghouse for receiving and updating proposals for private financing.
- ✓ Performing financial analysis of local, state and federal laws, proposed legislation and or regulations.
- ✓ Investigating and securing public and private sector funding sources at the at the local (county and city) level.
- ✓ Searching for innovative financing methods for potential private investors.
- ✓ Development and execution of a merit based and strictly objective evaluation of all future financial offers and contracts resulting in recommendation of best value to the Authority to be used for award of contracts.
- ✓ Assist with (and participate in) negotiations (with Federal, State and Local authorities, local and global vendors including rail operators and well as local and international financial institutions).

Upon the board approval of the RFP Authority staff took the following steps in the procurement of these services:

- RFP Advertisement on 7/9/10
- Written proposals due 8/2/10
- Panel Assembled - at the direction of the Chief Executive Officer, a panel of four was selected, which included staff of the Authority and individuals from other state agencies, majority of whom have experience and/or expertise in finance.
- Written Proposal Evaluation -each panel member individually evaluated the written proposals to determine if it met the proposal requirements contained in Section VI of the RFP and scored those proposals based on pre-set list of criteria and point values assigned those criteria (consistent with the state's RFP process). Only proposals that scored an average of 85 percent or above were invited to interview in person.
- Oral Interviews were held on September 22 with the entire panel of evaluators in attendance. Interviews were separately evaluated based on criteria shown in Attachment C of the RFP, in addition to queries from the panel, whose members used a pre-determined list of questions in an effort to provide a set of uniform criteria on which to score the applicants.
- Selection - For each applicant, the scores awarded by each of the panel members were added together and averaged. The highest-scoring applicant was initially recommended.

The panel consisted of four voting members and one non-voting member:

- Roelof van Ark, Chief Executive Officer, California High-Speed Rail Authority – **Non-Voting**
- Carrie Pourvahidi, Chief Deputy Director, California High-Speed Rail Authority - **Voting**
- Blake Fowler, Director of Public Finance Division, State Treasurer's Office - **Voting**
- Karen Finn, Program Budget Manager for the Resources, Environment, Energy and Capital Outlay Unit, Department of Finance - **Voting**
- Kome Ajise, Public Private Partnership Program Manager, Department of Transportation - **Voting**

The Authority received five (5) written proposals. They were from the firms of:

- Blaylock RV, LLP
- Infrastructure Management Group, Inc.
- KPMG
- PFM Group
- Price Waterhouse Coopers

Of those proposals, four scored above the necessary 85 percent and were invited to interview in person.

Interviews were conducted with the teams assembled by:

- Infrastructure Management Group, Inc.
- KPMG
- PFM Group
- Price Waterhouse Coopers

Based on the evaluation the Board approved that the CEO enter into an agreement with Price Waterhouse Coopers (PWC) for the Financial Consulting Services. The CEO advised the Board at the February 3, 2011 board meeting, that PWC were not able to accept the standard terms and conditions applicable to the specific RFP and valid under state contracting law. The CEO advised his intent to conclude those discussions and commence discussions with the next highest ranked firm, namely KPMG. The evaluated scores of PWC and KPMG had been very close. The Board requested the CEO present the outcome at the next board meeting with the aim to conclude a contract with the second bidder.

Final contract clarifications with KPMG have progressed well, and the contract should be ready for signature within days.

Recommendation

Given the importance of this issue and the serious impacts of any further delay, staff recommends that the Board delegate to the Chief Executive Officer the authority to enter into an agreement with KPMG not to exceed \$2.5 million over the course of approximately 30 months (to begin as soon as the contract can be executed and end June 30, 2013). This contract scope of work and budget will be negotiated annually.

Attachments:

- ✓ Request for Proposal HSR10-04 – Financial Consulting Services
- ✓ Resolution HSRA11-15A